CONGRESSMAN JESSE L. JACKSON JR.
PROUDLY SERVING THE 2nd DISTRICT OF ILLI

Partnership -- Not Privatization

By Congressman Jesse L. Jackson Jr.

There's a doomsday scenario seemingly everywhere -- in Springfield, at the Chicago Transit Authority, at Chicago Public Schools, at McCormick Place, at local municipalities, and at huge pension funds.

In periods of economic growth and economic contraction, the American people naturally are opposed to tax increases, but they are also opposed to service cuts.

As long as we have a government, and that government is tasked with providing public services, there will be taxes to pay for those services. Perhaps the single most important task of every elected official must be full employment. As Ben Franklin once said, "When men are employed, they are best contented." Government is not responsible for creating most of the jobs in our economy. In our free enterprise system, most jobs are created by the private sector.

Capitalism is the most powerful economic engine in the world. However, sometimes private businesses would benefit if a democratic political body were to monitor and guide it. An engine this powerful, running wide open, might be able to absorb the business cycle bumps in the road -- but some might also crash, explode and hurt everyone in their path. So while capitalism is the most dynamic, responsive, and productive economic system ever devised, it can be made stronger through rational monetary and fiscal policies from government.

Political oversight also can sustain and strengthen a national economy by bringing a more reasonable balance between capitol and labor in a new economic model.

The future economic-political model will be dominated by the public-private partnerships (PPP). A PPP is a business venture which is funded and operated through a partnership of government and one or more private sector companies.

According to Wikipedia, a PPP involves a contractual agreement between a public authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. In PPPs, the cost of using the service is borne exclusively by the users of the service -- not by the taxpayer.

Governments can contribute to a PPP by providing existing assets (such as land); a capital subsidy in the form of a one-time grant (to make a project more attractive to the private investors); or by providing subsidies, including tax breaks or by providing guaranteed annual revenues for a fixed period.

Successful PPPs provide government guarantees so that private investors can gain access to capital, but in the end the private side assumes all risks. A typical PPP example would be a hospital building financed and constructed by a private developer and then leased to the public hospital authority. The private developer then acts as landlord, providing housekeeping and other non medical services while the public hospital itself provides medical services.

Under this model, the public sector brings with it governance, regulation, transparency, and assurances that protect the public's interests. The private sector, meanwhile, brings capital, efficiencies and experience, accountability to share holders (and therefore less corruption and waste) and a competitive spirit.

Mayor Daley attempted to bring PPPs to city, but his efforts were not true PPPs. They were more like a public auction of public assets. PPPs are very different than privatization. In short, the Mayor sold the Skyway, the parking meters and is attempting to sell Midway to raise money -- but he is not creating true PPPs to gets things done in a more cost-effective manner. Thus, the public benefits from the Skyway or parking meters are minimal.

But there are numerous opportunities for true PPPs to develop in Chicago.

McPier (the McCormick Place and Navy Pier exposition complex) would benefit by using the expertise and capital of the private sector to provide better services at more competitive prices with less risks to taxpayers, but it should not be privatized.

Alderman Sandi Jackson is calling for a PPP to redevelop the old USX steel mill site in the 7th Ward. The pristine 560-acre lakefront plot on the South Side will take a decade and billions of dollars to develop and will ultimately employ thousands of people -- but the City alone cannot afford to redevelop such a large site.

Aldermen Anthony Beale (9th) and Howard Brookins (21st) are calling for a PPP to give incentives to bring Wal-Mart to their neighborhoods. In this case, the public sector could provide the land, but in exchange could demand better wages and benefits for workers.

The proposed plan for the Abraham Lincoln National Airport is a classic PPP. In it, the state (the public partner) would provide the land while the private sector would finance, build and manage (for profit) a public-use facility managed by a public body. At the end of a long term lease, the public becomes permanent owner of the airport, and the companies and the state share the profits.

As for a tax increase, I'm not opposed to tax hikes. But they can and in some cases should be tied to PPP in order to maximize the public investment with the goal of the private sector providing jobs for all Illinoisans, such as the 15,000 jobs a new airport would bring to the Illinois economy.

The city or the state should also consider "targeted tax increases." For example fees or fines on anyone who refuses to recycle. Through a PPP recycling program, glass could be picked up on

Tuesdays, wet waste on Wednesdays, and plastics on Thursdays. Those who recycle properly (which can help generate revenues for the city won't pay extra) but those who refuse to recycle, pay a targeted tax. There is gold in that garbage and we could all pitch in.

Lastly, the city did attempt a PPP through the notorious and horribly-managed "hired truck" program. But done right, the concept can work. In fact, PPPs can lead to innovation. For example, if a hired trucker discovered it was more efficient to melt snow than plow it, that private innovation could be encouraged and implemented by the city to benefit the public.

These types of partnerships for public services or infrastructure projects could help increase public investment without increasing public costs. Moreover, in these times of economic uncertainty and record deficits at local, state and federal levels, a true PPP may be one of the only ways to stimulate the economy; reduce the size and demands of government; expand public services or infrastructure; and put people back to work with minimal public cost or risk.